

CHAPTER 15

ECONOMIC DEVELOPMENT

I. INTRODUCTION

This Chapter is not intended to address all issues related to the management of Economic Development projects, but rather to interface with the other chapters of this manual. Each chapter in the Grants Management Manual, with the exception of Chapters 16, and 17, should be reviewed for its applicability to your grant. It is imperative that any grantee funded for economic development from grant funds or using program income to fund an economic development activity become familiar with this manual in its entirety. This Chapter highlights management-related issues of additional importance to Economic Development projects. *It should be noted that changes have been made to the format for documenting the low-to-moderate income national objective, and documents in this chapter supercede previous Grants Management Manuals and Training Manuals.*

II. GRANTEE RESPONSIBILITIES

This section covers the following topic areas related to your ED grant:

- A. Defining roles
- B. Clearing Special Conditions
- C. Beneficiary Tracking (Meeting National Objective and Public Benefit requirements)
- D. Executing Agreements
- E. Financial information and documentation
- F. Monitoring and Close-out

A. Defining Roles

Scheduling a meeting to define roles and assign responsibilities to all program participants is an important first task for fulfilling special conditions. We recommend that shortly after your contract takes effect you schedule a meeting with your ED representative, the local staff person or consultant who will be handling the day-to-day administration of the grant and/or implementation of the business assistance or microenterprise assistance program, your Executive Officer who will be receiving and reviewing the State's monitoring and auditing reports, the financial officer who will prepare periodic or semi-annual financial reports, the job training agency representative who will be responsible for recruitment, job training and income verification of job applicants and employees, the labor standards coordinator who will be reviewing payrolls for Federal prevailing wage compliance and, if appropriate, your engineer who will

oversee the construction of off-site publicly owned infrastructure improvements. The ED representative will review the overlay and reporting requirements and assist you with developing a timeline for satisfying the special conditions listed in your contract.

B. Clearing Special Conditions

The grantee must clear the Special Conditions listed in Attachment D of the Standard Agreement prior to incurring any project or program-related costs. General Administration funds may be used to clear the conditions. Of particular importance to ED grants is clearance of NEPA, which must be done prior to delivery of services, or any site work or business loan activity. Each Enterprise Fund loan request must complete the environmental review process prior to implementing the activity and must be approved for drawdown by the Department, via the Enterprise Fund Drawdown Approval Checklist. (See Supporting Materials). Formal noticing for projects requiring public comment and comment by oversight agencies is required on larger, more involved construction or expansion projects, and therefore the timing of special conditions clearances is basic to successful performance. Signed contracts and agreements insure that all parties are apprised of their responsibilities and will contribute to the smooth operation of the grant. As Special Conditions are cleared your area representative will memorialize that clearance in writing for your files. At monitoring, your files should demonstrate that no costs were incurred prior to clearance of the conditions associated with those costs.

C. Verifying National Objective and Public Benefit Requirements

Each activity must meet one of the CDBG program's ***national objectives***, which are *570.483(b) Activities benefiting low and moderate income persons, 570.483(c) Activities which aid in the prevention or elimination of slums or blight, and 570.483(d) Activities designed to meet community development needs having a particular urgency.* Generally, CDBG economic development projects meet the national objective of principally benefiting members of the Targeted Income Group (also known as the TIG) by filling at least 51% of the jobs created or retained by the CDBG assistance with TIG individuals or by providing business assistance to existing or potential micro-entrepreneurs who are considered limited clientele by virtue of both their income. Therefore, income verification is an on-going grantee responsibility of major importance and the mechanism for verification must have State approval.

The primary intent of the ED allocation is to provide ***public benefit*** by creating or retaining permanent private sector jobs, at no more than \$35,000 per job. A single job counts as a permanent, full-time job if it provides at least 1,750 hours of employment during the year. Permanent part-time jobs can be aggregated into full-time equivalent jobs if the part-time job provides at least 875 hours of employment per year. These permanent part-time jobs can be aggregated into 1,750 hour full-time equivalent jobs (FTEs). A fraction of a job, (e.g., .5 of a FTE job) does not count towards meeting the public benefit requirement which specifies that not more than \$35,000 of CDBG funds can be used for each FTE job created as a result of the CDBG assistance.

Jobs held by family members with an ownership interest in the business will not typically count towards the job goal. Self-proprietorships and owners/principals of companies are not typically counted either. However, where CDBG funds assist a qualified micro-enterprise (i.e., five or fewer employees, one of whom is the owner of the business), the owner's job will be counted toward the job creation goal.

It should be noted, **Public Benefit** is not a requirement of a Microenterprise Assistance Activity, as opposed to a Business Assistance Activity. Microenterprise Assistance Activity funds are targeted by regulation to a population of business owners and would-be owners who are low and moderate income. A Microenterprise Assistance Program may serve a wider audience provided those participants who are not income eligible either pay a fee to participate or meet the eligibility requirement of job creation/retention by committing jobs primarily for low to moderate income individuals within the term of the grant program.

Seasonal jobs (e.g., jobs at a vegetable packing plant) may be considered to be permanent jobs only if the duration of the season is long enough for the job to be considered as the person's principal occupation. The job should last more than six months and represent the person's principal source of work-related income.

D. Targeted Income Group Tracking for Economic Development Activities

Unless you are addressing the national objectives of slums and blight or urgency*, you must maintain records that verify the number of **targeted income group** families benefiting from the jobs created or retained by the CDBG-assisted project. Keep records that demonstrate one of the following:

JOB CREATION PROJECTS: If the project is meeting low-mod benefit through job creation, *at least 51% of the 100% screened population must demonstrate TIG eligibility*, either through Census Presumption records, records kept by the screening and referral agency or as demonstrated by signed self-certifications. *(In the event self-certifications are used, the grantee must require backup income documentation for at least 30% .)* The three methods are as follows:

1. **Presumption of Benefit:** The person filling the job is residing in or employed by a business located in an area *presumed* to have primarily low-income households. (This test does not apply to participants for microenterprise assistance programs.) Initially, benefit to the TIG is identified by prescreening the income of the persons to be hired for the TIG jobs. However, a person may *be presumed* to be TIG. The **Presumption Test** is satisfied in one of the following ways:

- the person filling the job resides within a census tract (or block numbering area) that has at least 70 percent of its residents who are members of the TIG; or

*Slums and blight eradication and Urgency do carry the public benefit requirement

- the employee resides in, or the business being assisted is located within a such a census tract as defined below;

- a. the person or business is within a census tract that is part of a federally-designated Empowerment Zone or Enterprise Community, or
- b. the census tract meets the following criteria: a) a poverty rate of at least 20 percent as determined by the most recent decennial census information **and**, the census tract evidences pervasive poverty and general distress **(i.e. the specific activity is located in a block group with a poverty rate of at least 20 percent)** or the applicant has written approval from HUD of other HUD approved measures of distress.

Documentation must be available in your files for State inspection during any monitoring visit and for **four years** after your grant contract expiration.

Please note: While the “presumptions” **CANNOT** be used to qualify participants under a Microenterprise Program where a 100% benefit to low-mod income test is applied. It can be used to qualify **job creation** activities under a Microenterprise Program where the 51% benefit test is applied.

- **Referral Agencies:** The person filling the job or receiving was referred from an agency that utilized the HUD income limits in determining that person's TIG eligibility Or the person has been qualified under a government assistance program with income eligibility requirements not to exceed HUD income eligibility requirements. The ideal income verification begins with a screening by a referral entity of family income prior to hiring or provision of services. The income screening and referrals of income-qualified persons can be conducted by a state, county, or local job employment agency or other entity that agrees to refer individuals who they determine to be members of the targeted income group (TIG) based on the CDBG program's income limits adjusted for family size. Their internal procedures for income screening and referral are acceptable documentation of income eligibility according to HUD provided they incorporate the HUD definition for low-to-moderate family income and HUD income guidelines.
3. **Income Screening and Verification of Income by Grantee or Business:** To begin documenting benefit to the TIG through job creation, *the grantee is responsible for screening ALL beneficiaries of the program.* The program provides annual income eligibility limits by county published by the Department of Housing and Urban Development
 - a. If you do not use the presumptions, work with a referral agency or the business hires employees without prior job referral agency income screening, a Self-Certification of Family Income for Employment must be completed for each potential employee. *The form must include a statement, signed and dated by the applicant, that the information is subject to verification upon request.* Self-Certification of income carries the **greatest risk** because it is the grantee's sole responsibility to insure that third-source, personal backup income documentation is provided for at least 30% of the required minimum of 51% TIG hired. This backup documentation must be provided by the job applicant prior to the business

completing its hiring process. **Should the grantee be unable to demonstrate acquisition of this representative sample in its files, the grantee risks having its project deemed an ineligible use of CDBG funding based upon inadequate documentation of national objective. The Department will need to request repayment of the grant in full.**

***Caution:** Unlike a Self-Certification of Family Income for Employment form, a Self-Verification of Income form, which is a stand-alone document signed by a potential employee in the rare instance where no backup income documentation actually exists, must be used sparingly and is discouraged unless it can be demonstrated that it is the only option available for income screening and verification. In no instance may self-Verifications be the only source of eligibility documentation for assistance to a business or microenterprise size business.*

Job retention projects. For a proposal funded as a job retention project, the business must have provided evidence that it faced imminent closure and that without CDBG assistance, the jobs would have been lost. Acceptable examples of clear and objective evidence include: a notice issued by the business to affected employees; a public announcement by the business (e.g., a press release or letter to the jurisdiction), or financial records provided by the business that clearly demonstrate the need for closing or moving all or portions of the business out of the area or that without financial assistance the business will not be able to sustain itself. If 51 percent of the current workforce is in the TIG and CDBG funds will prevent business failure, the project qualifies as job retention.

An income survey of existing employees must document that CDBG funds are retaining jobs that are principally held (51 percent) by TIG employees. Signed self-certification forms (of which a representative sample will be verified) were completed for each retained employee documenting family income. The income determination for retained employees was made when CDBG funds were being requested and prior to any decision to provide CDBG assistance. After the project is funded, a representative sampling must be verified for family income to demonstrate a 51% benefit to the Targeted Income Group during the upcoming monitoring.

Alternatively, if the current workforce demonstrates less than 51% TIG benefit, the proposal may still be eligible if it can be demonstrated that, based on historical data, the anticipated job turnover during the grant term will result in job opportunities for TIG. The combined retained TIG jobs and those filled by TIG through job turnover over the next 30 months may qualify the project as eligible for CDBG funds.

Microenterprise Assistance Programs. In Microenterprise Assistance programs, **100% of the participants** receiving assistance must provide full back-up documentation proving that they are a member of the Targeted Income Group. A “Preliminary Intake” form has been provided for grantees to use to determine probable eligibility. This is only a preliminary indicator tool and does not stand alone. Full back-up documents must still be obtained. **Grantees may not use presumptions or Self-Certification forms for Microenterprise programs.**

Note: One exception to the above is in the instance of a Microenterprise participant that is not

in the Targeted Income Group, but commits to creating jobs and hiring 51% Targeted Income Group. In this case, the Microenterprise would need to comply with the Job Creation rules as discussed previously in this chapter. Otherwise, any non-Targeted Income Group participant must pay for their services.

Infrastructure projects. If you provide assistance in the form of off-site improvements to a facility such as a shopping center, small business incubator, or office building, where space will be leased to more than one individual business, the TIG benefit test (51 percent of all new jobs) will be applied to the development as a whole.

To ensure that the purpose of CDBG funds is understood by the private business entity, you must make TIG job creation a specific covenant of such documents as the Fair Share Allocation Agreement (see the example of a Fair Share Agreement in the “Supporting Materials” section of this chapter), a business loan, Owner Participation Agreement, Development and Disposition Agreement, or lease agreement.

You must require TIG job creation as a condition of assistance to the developer. In turn, a developer must inform lessees of this through the covenants of the lease with remedies or penalties established for failure to satisfy the covenant.

Where CDBG funds are for infrastructure in support of a business, but excess capacity is available to future users, the TIG benefit test and national objective requirements shall also be applied to future users if the projected cost per job in CDBG funds is \$10,000 or more. You must determine the service area of the infrastructure improvements and develop and implement a mechanism for identifying businesses that locate or expand within the service area and for tracking job creation and TIG benefit for these businesses for the period from the date that the CDBG assistance is approved to the date one year after the physical completion of the public infrastructure improvements. As such, the reporting requirements for tracking job creation and TIG benefit may extend beyond the grant agreement. In addition, these new businesses or business expansion projects are subject to the public benefit requirements which restrict the amount of CDBG subsidy allowed to a maximum of \$35,000 of CDBG funds per job created or retained.

For projects where the projected costs per job for the initially benefiting business(es) is less than \$10,000, then the TIG benefit requirement (minimum 51% benefit to TIG) shall be determined from the jobs created or retained by the initially benefiting businesses.

Please note: The Department will not accept the salary level of the job as evidence that a job is held by a TIG employee. Each employee's total family income must be calculated and then compared to the HUD income eligibility levels per county (see Appendix D) to establish TIG eligibility.

- F. **Loan Documents:** All loan agreements should have a non-monetary default clause that says the borrower is in default if job creation or retention obligations are not met. The loan agreement should specifically reference, as a minimum performance requirement, the total and TIG job count described in the approved application.

Please Note: If the business creates more jobs than originally projected in the application

and/or specified in the State agreement, then, to meet the national objective of principally benefiting TIG members, at least 51% of all jobs created must benefit members of the TIG. A grant may proceed to closeout as soon as all work has been completed and the job commitment has been met.

An explicit clause regarding the business' responsibility for meeting job creation or retention and TIG benefit performance standards must be made part of any development or lease agreement between the jurisdiction and any business benefiting from a CDBG-assisted project and must include language to ensure that job creation/retention and TIG benefit reporting requirements are incorporated into lease agreements between CDBG-assisted developers and their tenants.

You may indemnify your jurisdiction against poor job performance through corporate guarantees, personal guarantees, etc.

A standard covenant of all CDBG funded loans is that they are due and payable upon sale or refinance or change of majority ownership. CDBG funded loans are not assumable.

- H. **Confidentiality**: The financial gap documentation file should contain all confidential information submitted to substantiate the need for CDBG funding, including the basis for determining that the amount and terms of the CDBG assistance are appropriate, given the documented financial needs of the business and the public benefit that will result from the project. The credit analysis and historical financial information, personal financial information, pro forma financial information with assumptions, and the business and marketing plans should remain confidential. This information should be kept in a locked file and is not typically made available for public review. Any request for this information, or other information related to the use of CDBG funds, should be reviewed with the jurisdiction's legal counsel for conformity with the Public Information Act. (See Chapter 7 for more information on filing systems.)

The Department will review these files during its monitoring visits. You must be able to document that the private leverage commitments of equity and debt have been fulfilled. Additionally, all CDBG expenditures must be documented.

- G. **Fair Share Payments**. It is the intent of the CDBG program to fund only infrastructure improvements that are necessary for the identified business to go forward. However, infrastructure may be sized for excess capacity so that future users will be able to hook up. Applicants are required to negotiate for fair share contributions from businesses and landowners that will benefit from the CDBG-assisted project. Fair share payments are distinct from ongoing operating fees; they are intended to capitalize a fund for CDBG eligible activities similar to the reuse of loan repayments. A fair share plan must describing the amount of the fair share payment allocable to each benefiting business and property owner and the mechanism that will be used to collect fair share payments from future users. Initial fair share payments contributed by the initially benefiting business(es) will be the result of negotiations between your jurisdiction and the benefiting businesses and property owners.
- E. **Monitoring**: The Department typically monitors your ED program for job creation/retention performance approximately twenty-four months from the date that your State contract is

executed. If the TIG benefit file is kept by the business or the job training agency at another location, you should make sure that a TIG benefit file is maintained at your location, too. Infrastructure grants may be monitored twice, once during construction to review for wage compliance and again as the grant is nearing expiration to review for general compliance and national objective performance.

Workouts of troubled projects that result from technical assistance meetings and monitorings are not intended to set precedent for program operation. Problem grants will be dealt with on a case by case basis.

(See Chapter 7 for recommendations on record keeping and Chapters 2 and 12 for more on the Department's monitoring process.)

I. Close-out. Upon close-out monitoring, and not prior to the 24th month of the grant agreement, the Department will review your program for compliance with such items as follows (see Chapters 12 and 13 also):

1. Each CDBG-assisted project (e.g., each loan to a business) must meet a national objective. If the national objective being met by a project is to principally benefit the TIG, then 51 percent of the actual jobs created or retained must be filled by TIG persons and 100% of service to persons under a Microenterprise Assistance Program.
2. Private leverage has been documented and expended.
3. CDBG funds have been expended for the purpose described in the application and drawdown requests.
4. You have reported on a timely basis, and have no outstanding monitoring or audit findings.
5. Cost per job created/retained is consistent with the original grant application and, at minimum, meets national objective and Federal public benefit requirements as a Business Assistance Program or Project.
6. Beneficiary tracking and reporting is consistent with the original grant application and, at minimum, meets Federal national objective requirements as a Microenterprise Assistance Program.

If the above criteria are met and you have complied with all CDBG Federal overlay requirements, the grant can be closed out. A grant may proceed to closeout as soon as all work has been completed and the job commitment has been met.

III. COMMON PROBLEMS.

- Failure to inform the CDBG program representative of project complications
- Using salary level of the job rather than verifying family income as evidence of TIG benefit

- Failure to monitor job creation/retention on a periodic basis
- Failure to perform follow-up income screening for job retention projects
- Failure to submit Document Checklist for Drawdown Approval on Enterprise Fund loans prior to disbursement of funds
- Inadequate documentation to support borrower's request for funds on Enterprise Fund loans
- Absence of loan tracking system for grants and program income accounts
- Failure to document total project costs at completion
- Failure to document equity injection
- Inadequate documentation of loan/credit files.
- Failure to conduct ongoing monitoring of subrecipients

IV. DEPARTMENT'S ROLE. The Department has an ED unit within the overall CDBG Program. ED representatives are responsible for providing technical assistance to ED grantees throughout the life of the grant.

The ED representative will conduct monitoring site visits to review your files, interview the staff and any contractors who have a role in the project, and provide technical assistance on compliance problems. The monitoring visits will cover all Federal overlay requirements, CDBG project costs, private leverage and jobs, and the use and tracking of program income.

During the close-out evaluation, the Department will compare your performance to the factors listed above to determine grant achievement. The Department will consider your overall performance in its evaluation of the percentage of program income that may be retained locally. Since your ability to retain program income is a function of a final evaluation, the Department will allow you to retain any program income realized during the term of the grant which generates the income.

V. REFERENCES.

- State CDBG Regulations, Section 7062.1, describes eligibility criteria and procedures for reviewing an application for funding under any of the program components authorized under the Economic Development Allocation of the State Small Cities CDBG Program
- Federal Statute, Section 104(b)(3), requires every economic development grant to meet a national objective: 1) benefit to low-and-moderate income persons; 2) elimination of slums and blight; 3) meeting an urgent community need.
- 24 CFR 570.483(b)(4), and Statute Section 105(c)(1)(C) of the HCD Act of 1974, state that a business assistance activity principally benefits TIG persons through new or retained jobs.

- 24CFR 570.483(b)(2)(iv) and Statute Section 105(c)(23)(A-C) of the HCD Act of 1974 define microenterprise assistance eligibility and scope of services.
- Federal Statute, 105(a)(17) of the HCD Act of 1974 and 24 CFR 570.482(e), requires that the state and/or local grantees conduct basic financial underwriting prior to the provision of financial assistance to a for-profit business. This analysis is conducted whenever CDBG assistance is provided directly to a for-profit business for an economic development project (e.g., a loan to a business or a grant for infrastructure improvements needed to accommodate a business retention or expansion project.) The purpose is to ensure that the amount of financial assistance provided to a for-profit business is not excessive, taking into account both the actual needs of the business and the extent of public benefit (i.e., number of jobs that will be created or retained) expected to be derived from the economic development project.
- 24 CFR 570.482(f), requires that at least a minimum level of public benefit in the form of job creation or job retention is obtained when CDBG assistance is provided to economic development projects, other than microenterprise assistance to Economic Development limited clientele (100% TIG).
- 24 CFR 570.506 specifies the grantee's record keeping requirements
- 24 CFR 85.40 requires that grantees monitor performance of CDBG-supported activities to assure that time schedules are being met, quarterly work units (i.e. jobs or microenterprise assistance units of service) are being filled, and other performance goals are being achieved.
- 24 CFR 85.20 requires that recipient and subrecipient financial management systems provide for accurate, current and complete disclosure of the financial transactions relating to the grant, including collection and expenditure of program income.
- 24 CFR 85.36 requires that construction contracts and contracts for professional services be awarded pursuant to an open bid process or competitive negotiation.

VI. SUPPORTING MATERIALS.

- Documentation of TIG Status
- Employment and Procurement Plan
- Employment Projection (Form)
- Beneficiary and Employment Plan Agreement Models
- Beneficiary Tracking Plan and Microenterprise Statement of Purpose
- Three-Way Employment Agreement Models
- Sample Development Project Lease Conditions for TIG Hires
- Authorization of Family Income for Microenterprise Assistance
- Self-Certification of Family Income for Employment
- Self-Verification of Income
- Document Checklist for Drawdown Approval
- Fair Share Allocation Agreement
- Loan Agreement (Sample)
- Loan Agreement (Suggested Outline)

- Microenterprise Assistance Beneficiary Tracking Chart

Documentation of TIG Status

This sheet provides information on the Low-to-Moderate (L/M) Income or TIG jobs standard, as defined in Subpart I, Section 24 CFR 570.483(b)(4). A L/M or TIG job activity is one, which creates or retains permanent jobs, at least 51% of which, on a full time equivalent (FTE) basis, are held (filled) by TIG or L/M income persons. When assistance is provided to a business for the purpose of creating or retaining jobs, the grantee must have on file a written agreement with the business in which that business agrees to keep or create a specific number of jobs and identifies each such job by type and whether the job will be full or part time.

Job Creation

Job Retention

Grantee files must contain the following records for jobs held by TIG or L/M persons:	Grantee files must contain the following records for jobs retained by TIG or L/M persons:	
	Otherwise Lost	Held By
<ul style="list-style-type: none"> A listing by job title of the permanent jobs to be created, A listing by job title of the permanent jobs filled, The name and income status of the person who filled each position, <p>AND</p> <ul style="list-style-type: none"> The full-time equivalency status of the jobs. 	Specific evidence the grantee relied on in concluding that, in the absence of CDBG assistance, the jobs would be lost.	<ul style="list-style-type: none"> A listing by job title of permanent jobs retained, those jobs known to be held by TIG persons at the time CDBG assistance was provided, <p style="text-align: center;">and</p> <ul style="list-style-type: none"> The FTE status of each job, <p style="text-align: center;">and</p> <ul style="list-style-type: none"> Information on the family size and annual income of each such TIG person

Verification of TIG Income Status

The grantee may use any of the listed approaches either singly or in combination to verify jobs created or retained by the same assisted activity. See Section 570.483 for Area Benefit, Limited Clientele, Housing Activities or Planning TIG criteria.				
<p>Current regulations allow the presumption that an applicant/employee belongs to TIG if</p> <ol style="list-style-type: none"> 1) the employee resides in a census tract (or block numbering area) which has at least 70% of its resident who are TIG; or 2) the employee resides in, or the business is located in and the job under consideration is to be located within a census tract (or block numbering area) which: <ol style="list-style-type: none"> a. is part of a Federally designated Empowerment Zone or Enterprise Community; or b. has a poverty rate of at least 20% as determined by the most recent decennial census information; and c. it does not include any portion of a central business district, unless the tract has a poverty rate of at least 30% as determined by the most recent decennial census information; and d. it evidences pervasive poverty and general distress if all block groups in the census tract have poverty rates of at least 20%, or the specific activity is located in a block group that has a poverty rate of at least 20%, or up on the written request of HUD to determine that the census tract exhibits other objective signs of general distress (high rates of crime, drug use, homelessness, abandoned housing and deteriorated infrastructure or population loss. 	<p>Evidence that the employee/applicant was a referral from a state, county, or local employment agency or other entity that has agreed to refer individuals whom they have determined to be TIG based on HUD's criteria. These entities must maintain records showing the basis upon which they determined that the person was TIG, which they agree to make available for grantee, or Federal/State inspection; or</p>	<p>Evidence that the employee/applicant has qualified for assistance under another program with income qualification criteria at least as restrictive as those used by this program (e.g. referrals from Public Housing or the welfare agency). The WIA/JTPA program has income standards that are acceptable for this purpose, except for referrals under the JTPA Title III program for dislocated workers; or</p>	<p>Evidence that the person is homeless; or</p>	<p>A written certification signed and dated by the employee/applicant indicating his/her family size and total income as necessary to determine whether the person is a member of a TIG income family at the time the certification is made. The certification may either show the actual size and income of the family or contain a statement that the annualized family income is below the HUD low-income limit for the applicable family size. The form must include a statement that the person making the certification is aware that the information being provided is subject to verification by the local, State or Federal government; and the grantee must acquire backup documentation for a representative sample (at least 30% of the TIG identified employees prior to hire) (See 24 CFR 5.609 for additional guidance on annual income.)</p>
<p>Examples: Written documentation from www.ezec.gov or www.census.gov</p>	<p>Examples: CDBG recommends obtaining documentation for all employees screened by an agency, as some agencies do not require income verification of 100% of the applicants who are placed.</p>	<p>Examples: Award letters or verified by contact with the assistance agency.</p>	<p>Examples: Award letters or verified by contact with the assistance agency.</p>	<p>Examples: Award letters, contact with the assistance agency, or tax returns.</p>

To gather census data 1) enter website address www.census.gov. Click on American Fact Finder, located at left of screen. 2) Click on 1990 Summary Tape File #1, 3) Select 1990 Summary Tape File (STF-3). If Tape File 3 is not selected, put your mouse or pointer on the circle next to Tape File 3 and click. The table will be highlighted. Click on Quick Tables, to the right of Tape File 3. 4) Select a Geographic type-Census Tract for census tract search or Block Group. The system will prompt you to select a State. Next, the system will prompt you for County name.(at this point, you may want to save this site under *Favorites*) 5) System now displays 1990 census tracts by County. Click on the dropdown box to display all tracts. Point and click on desired tract. 6) Once the census tract is selected system will display block groups. Click the Add button to research poverty level information for selected census 7) Click through to Quick Tables. Point and select DP-4 Income and Poverty Status in 1989-90. Click the Add button and selected title will be displayed. Click Show Table to produce Poverty Level Table. 8) Verify the correct county, census tract and block group number, 9) Scroll down

to the Poverty Status in 1998 table. Divide the Below Poverty Level person by the Persons for whom poverty status is determined. THE RESULT IS THE POVERTY PERCENTAGE FOR THE DISPLAYED BLOCK GROUP

EMPLOYMENT AND PROCUREMENT PLAN

Employment and procurement plans are used to assure that the private entity benefitting from CDBG financing is committed to hiring members of the targeted income group and to the procurement objectives of the program. The plan should be prepared jointly by the grantee and the business, and be signed by the grantee, business and screening agency, and incorporated by reference into any loan agreement, development and disposition agreement, etc. The following outlines what should be included in the plan.

I. EMPLOYMENT

A. Anticipated Employment

1. Number of new or retained jobs consistent with the application's Employment Projection form and including baseline employment figures as of the date of the application and projected new employment (include employment projection form and updated budget and milestones forms)
2. Number of jobs to be filled by members of targeted income group families
3. Skill levels
4. Basis for estimates, such as market research, past performance, industry standards, etc.
5. Commitment to take the specific steps to train, recruit, and hire minorities and women found in the company's Affirmative Action Plan and Sections B and C of this plan

B. Employment Training

1. A letter of intent from the agency to work with the business or developer to determine employment and training needs and to assist the business in utilizing various on-the-job training and tax credit programs
2. A commitment that pursuant to the grant agreement, the grantee and business will immediately notify the appropriate training and referral agency when jobs are available, or:
3. Actual training agreements developed pursuant to B.1. above

C. Recruitment and Placement

1. A list of community organizations, such as minority, handicapped, or women's groups, work training centers, senior citizen organizations and veterans' groups which will be contacted for recruitment
2. The specific methods of advertising
3. Recruitment agency agreements and commitment to use the services of the Local Workforce Investment Board, Employment Development Department, or GAIN Program

D. Monitoring

1. The person or agencies who will be responsible for job monitoring
2. The method to be used to verify the prior income of new employees, such as income tax returns, wage stubs, and subsidy payments
3. The method for on-going monitoring to assure job classifications remain on-line for a two-year period

II. CONTRACTS AND PROCUREMENT

A. Selection method: Jurisdiction's procurement procedures for selecting contractors, subcontractors and vendors for CDBG-funded work, equipment and supplies. Describe:

1. When a competitive bid process will be utilized
2. Whether previously utilized contractors will be doing the work under a sole source contract
3. Whether local, minority, women or disabled veteran-owned contractors or vendors will be solicited

B. Recruitment: Method of informing qualified local, minority, women owned and disabled veteran owned businesses of contracting opportunities, such as through Local Builders Exchange for local contractors, Caltrans District Office for qualified minority and women contractors, local Veterans Affairs organizations

C. Monitoring and reporting

Establishing a reporting system to collect information from businesses regarding contractors chosen, and the relevant characteristics of those firms (i.e., minority, women, disabled veteran). Describe frequency, format, and responsible parties.

EMPLOYMENT PROJECTION FORM

NOTE: This form must be filled out for each business and signed by an authorized business representative.

1. Company Name _____
2. Current workforce as of date of application: _____
(Date)
3. Job Information for created or retained jobs.

Classification/Title (Created = [C] or Retained = [R])	Wage	Number of Jobs		TIG
		Full-time	Part-time	Y N
	(Please note whether wage is based on hour, month, or year)	(Minimum 1,750 hours per year)	(Minimum 875 hours per year)	
TOTAL				

4. Number of "full-time equivalent" jobs. _____ (A full-time equivalent" job is two part-time jobs each a minimum of 875 hours/year, that equals one full-time job of at least 1,750 hours/year.)

BENEFICIARY AND EMPLOYMENT PLAN AGREEMENT MODELS

The following Beneficiary and Employment Plan Agreement is only a suggested format for jurisdictions intending to contract for placement and/or training services. However, the requirements contained within the agreement should be included in any contract for these services.

The State CDBG Program requires jurisdictions to use the HUD definition of family income eligibility where there is an executed contract with a Workforce Investment Act funded screening and referral agency. It is important to note that most screening and referral agencies do not require 100 percent verification of the income eligibility of applicants who are placed and it will therefore be necessary to contract for these additional required services prior to implementation of the program.

For Beneficiary Projects The CDBG Program requires **all** beneficiaries of a microenterprise assistance program to be income screened and Targeted Income Group verified.

For Job Retention Projects The CDBG Program requires a self-certification of income of **all** employees prior to the jurisdiction approving the CDBG assistance (loan or grant). Subsequent to the CDBG assistance, the jurisdiction must income screen a representative sample of the retained employees to determine the accuracy of the self-certifications. The number of employees sampled should be in relation to the number of total employees retained. The jurisdiction must also income verify employees hired through expansion or attrition.

For Job Creation Projects The CDBG Program requires **all** targeted income group employees to be income screened to verify family income eligibility.

To ensure adequate income documentation, it is advisable to obtain income documentation for **all** beneficiaries/employees screened by the WIA-funded screening and referral agency. As such, CDBG administrative costs may be budgeted to include funds for income verification services.

The definition of Targeted Income Group eligibility is determined by using Department of Housing and Urban Development Income Eligibility limits per county and family size for the current year and applying them to the self-certifications submitted by the job applicants. Income verification must have been completed before the job applicant is hired for the position if the employee is being hired to meet the TIG national objective requirement under this grant.

The Department defines family income as all sources of income for one or more persons living in a single residence who are related by blood or marriage. (See Appendix D for guidelines on income inclusions and exclusions)

EMPLOYMENT PLAN AGREEMENT

The City/County of ABC [**City or County**] and the Screening and WIA Referral Agency [**Agency**] agree to the following terms and conditions relating to Grant Number _____ also known as the ABC Main Street Project. This Agreement incorporates the Model Three Party Employment Agreement by reference.

1. **Agency** will work with businesses to be assisted to determine employment and training needs and to assist the business in utilizing various on-the-job training programs and job tax credits.
2. The following community organizations will be contacted by **Agency** regarding job opportunities created by the CDBG assistance.
 - Department of Rehabilitation
 - Educational or Training Institution
 - Regional Occupational Program
 - Employment Development Department
 - Department of Human Resources
 - Community Opportunity Center
 - Veteran's Services
 - Area Agency on Aging
 - Ø Refugee Services
 - Ø (Others as identified)
3. **Agency**, in coordination with the [**City/County**] and each business, will utilize any or all of the following methods to advertise job opportunities generated from the CDBG assistance.
 - Press Releases
 - Newspaper Ads
 - Posters
 - Flyers
 - Radio
 - Chambers of Commerce
4. The **Agency** recruiting office will work closely with the Workforce Investment Board, the [**City/County**] and the [Educational or Training Institution] in developing job recruiting efforts.
5. The [**City/County**] will be responsible for monitoring the contract between the business and the **Agency** and ensuring that at least 51% of **ALL** jobs created or retained as a result of the CDBG assistance are filled by persons who meet CDBG income eligibility requirements.
6. **Agency** will collect and maintain income client characteristic data relating to those eligible clients referred to and those referrals hired by each business. This data will be provided on a regular basis to the [**City/County**], per the reporting schedule in Attachment #2.
7. The **Agency** will maintain a recruitment file on all CDBG assisted related activities and that file will be available to the [**City/County**] upon request.

8. **Agency** shall assist each business in recruiting, screening and/or referring eligible applicants for employment. Eligible applicants are defined as being eligible under the CDBG regulatory guidelines for household income, area benefit or limited clientele.
9. Each business shall work cooperatively with the **Agency** to provide employment data and allow access to its place of business for purpose of carrying out its responsibilities described herein. Each business shall also refer all direct hires to **Agency** for income screening to determine Target Income Group status on hiring date.
10. Compensation for income screening and employee training services is set forth in the attachment, which details unit costs for publicity, eligibility screening referral, training, etc.
 - a) Maximum amount to be paid shall not exceed the total of all unit costs in payment detail.
 - b) Per attached payment detail, Forms Development/Modifications to meet additional HUD income verification requirements will consist of:

This agreement shall take effect when it has been executed by authorized representatives from all parties, and shall be in effect for a term of three years from the execution of the Standard Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year dated below.

Agency

City/County of ABC

By: _____

By: _____

Date: _____

Date: _____

Attachment #2

Payment Detail

FOR AGREEMENTS WITH AGENCY

Forms Development/Modification: \$_____

+

PUBLICITY/RECRUITMENT: _____ @ \$_____ ea.

ELIGIBILITY SCREENING: _____ @ \$_____ ea.

REFERRAL: _____ @ \$_____ ea.

PLACEMENT/TRAINING (optional): _____ @ \$_____ ea.

OTHER \$_____

+

TOTAL \$_____

FLAT FEE PER REFERRAL \$_____ ea.

MAXIMUM AMOUNT TO BE PAID UNDER THIS AGREEMENT \$_____

BENEFICIARY PLAN AGREEMENT

The City/County of Sample [**City or County**] and the Screening and WIA Referral Agency [**Agency**] agree to the following terms and conditions relating to Grant Number _____ also known as the **City/County of Sample** _____ Program. This Agreement incorporates the Model Microenterprise Three Party Employment Agreement by reference.

1. **Agency** will work with eligible program participants and potential entrepreneurs to be assisted to determine business assistance, employment and training needs and to assist the beneficiary in utilizing various business readiness, counseling, support services and training programs.
2. The following community organizations will be contacted by **Agency** regarding potential referrals for entrepreneur assistance by the **City/County of Sample** _____ Program.
 - Department of Rehabilitation
 - Educational or Training Institution
 - Regional Occupational Program
 - Employment Development Department
 - Department of Human Resources
 - Community Opportunity Center
 - Veteran's Services
 - Area Agency on Aging
 - Ø Refugee Services
 - Ø (Others as identified)
3. **Agency**, in coordination with the [**City/County**], will utilize any or all of the following methods to advertise the **City/County of Sample** _____ Program and job opportunities generated from the CDBG assistance.
 - Press Releases
 - Newspaper Ads
 - Posters
 - Flyers
 - Radio
 - Chambers of Commerce
4. The **Agency** recruiting office will work closely with the Workforce Investment Board, the [**City/County**] and the [Educational or Training Institution] in developing recruiting, self-employment and employment efforts.
5. The [**City/County**] will be responsible for monitoring the contract with and services provided by the **Agency** and ensuring that 100% of participants assisted through the CDBG funded program and at least 51% of **ALL** jobs created or retained as a result of the CDBG assistance are filled by persons who meet CDBG income eligibility requirements.

6. **Agency** will collect and maintain income client characteristic data relating to those eligible clients referred to programs and businesses and those referrals hired by each existing or startup business. This data will be provided on a regular basis to the [**City/County**], per the reporting schedule in Attachment #2.
7. The **Agency** will maintain a recruitment file on all CDBG assisted related activities and that file will be available to the [**City/County**] upon request.
8. **Agency** shall assist each business in recruiting, screening and/or referring eligible applicants for employment. Eligible applicants are defined as being eligible under the CDBG regulatory guidelines for household income, area benefit or limited clientele.
9. Each participant shall work cooperatively with the **Agency** to provide eligibility data prior to participation in the **City/County of Sample** _____ Program.
10. Each business shall work cooperatively with the **Agency** to provide eligibility data prior to participation in the **City/County of Sample** _____ Program. And to provide employment data and allow access to its place of business for purpose of carrying out its responsibilities described herein. Each business shall also refer all direct hires to **Agency** for income screening to determine Target Income Group status on hiring date.
11. Compensation for income screening and employee training services is set forth in the attachment, which details unit costs for publicity, eligibility screening referral, training, etc.
 - f. Maximum amount to be paid shall not exceed the total of all unit costs in payment detail.
 - g. Per attached payment detail, Forms Development/Modifications to meet additional HUD income verification requirements will consist of:

This agreement shall take effect when it has been executed by authorized representatives from all parties, and shall be in effect for a term of three years from the execution of the Standard Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year dated below.

Agency

City/County of ABC

By: _____

By: _____

Date: _____

Date: _____

Attachment #2

Payment Detail

FOR AGREEMENTS WITH AGENCY

Forms Development/Modification: \$_____

+

PUBLICITY/RECRUITMENT: _____ @ \$_____ ea.

ELIGIBILITY SCREENING: _____ @ \$_____ ea.

REFERRAL: _____ @ \$_____ ea.

PLACEMENT/TRAINING (optional): _____ @ \$_____ ea.

OTHER \$_____

+

TOTAL \$_____

FLAT FEE PER REFERRAL \$_____ ea.

MAXIMUM AMOUNT TO BE PAID UNDER THIS AGREEMENT \$_____

BENEFICIARY TRACKING PLAN

Project: (Description of funded activity and TIG beneficiaries, i.e. services and/or job creation per grant agreement.) This **Plan** incorporates the **Microenterprise Statement of Purpose** as an attachment.

National Objective: TIG benefit (*specify limited clientele, job creation/retention and/or area benefit*)

Goals: (As outlined in Enterprise Fund Application)

1. **Provide services to _____ (estimated) [city/county] residents** meeting Targeted Income Group (TIG) specifications as defined by the Department of Housing and Urban Development for the purpose of developing individual economic self-sufficiency **and/or to _____ microenterprise businesses** (5 or fewer employees including owner(s)) who will commit to retaining/creating a workforce of 51% verified TIG persons
2. **Award _____ loans** to microenterprise program graduates to assist in starting or expanding micro-business in the [city/county]. (*if applicable*)
3. **Create and/or retain _____ jobs** for [city/county] residents of which 51% must be from the Targeted Income Group [TIG households are those whose income equals 80% or less of the county median income] (*if applicable*)

Roles/Responsibilities of Participating Service Providers: (i.e. social services, job training and placement agency, WIB, SBDC, educational institution, consultant)

1. Organization or Individual and Service Provided: _____
Contract for Services (to be submitted upon execution)
2. Organization or Individual and Service Provided; _____
Contract for Services (to be submitted upon execution)
3. Organization or Individual and Service Provided; _____
Contract for Services (to be submitted upon execution)

Marketing of Services: (brief narrative describing advertising of program availability, establishing an advisory board and board representation, outreach to and interface with social services and placement agencies including affordable housing agencies, family or women's service centers, local career centers and CDCs, coordination with service providers and timeline for delivery of services/programs)

Screening/Assessment/Referral Process: (narrative, referencing contracts for services identified above and data collection formats referenced below, for each of the following)

1. Coordination with social service eligibility/workforce investment agencies resulting in referral to the program
4. Intake of application for participation in the each phase of the program by individuals and business owners
5. Income screening procedures for participation by, and reimbursement for services to, TIG household individuals
6. Needs assessment and referral procedure between services and programs
7. Evaluation of services/programs by beneficiaries

Programs/Services Tracking System: (Narrative describing spreadsheet tracking system as highlighted in **Forms** below, outlining process for tracking beneficiaries through the each stage of the program of services identified in **Goals (1)** above.) (*Identify by eligible activity per Statement of Purpose Attachment:* program or service description, service provider, location of program or service provided, number of anticipated participants per activity, number of times service or program is anticipated to be offered, format for tracking beneficiaries as identified below:)

Tracking/Reporting/Evaluation of Services Tools (tools attached)

(City/County) Microenterprise Program Application: Intake form distributed to individuals who will be participating in the program by microenterprise program staff. To be used to determine income eligibility, to identify applicant's business concept or entity and additional resources, to assess individual for readiness and to make appropriate referrals. Application includes:

1. Authorization Form For Family Income Certification: Included in beneficiary's submitted application for services. Certifies that information presented is accurate and that documentation will be provided prior to delivery of services and authorizes representatives of the (city/county) and/or the State of California Housing and Community Development Department to verify household income through a release of information form.
2. Entrepreneurial Assessment Evaluation Form: Business readiness assessment to be reviewed by the [SBDC/Program administrator, lead staff, microenterprise trainer] to determine the feasibility of the business concept and appropriate entrance level for program services.

Beneficiary and Employment Plan Agreement: Executed agreement between referral agency and grantee, identifying resources for referrals and defining roles and responsibilities of the two entities in meeting the national objective and public benefit, and job creation requirements (where applicable), associated with CDBG loan funds. References Income Verification Form and Three-party Employment Agreement where applicable, as attachments.

1. Income Verification Form: Certified by screening agency. Identifies income verification method to be used and required forms of documentation which will be attached. Will include presumption, public assistance or income tax information for each participant, as appropriate. Model to be submitted with executed Beneficiary and Employment Plan Agreement. Signed form to be kept in applicant's files.
2. Three-party Employment Agreement: Executed agreement between the referral agency, grantee and benefitting business defining the roles and responsibilities of the three entities in meeting the job creation and reporting, national objective and public benefit requirements associated with CDBG loan funds or where the benefitting business owner is not TIG-eligible. Model to be submitted with Beneficiary Tracking Plan. Executed agreement incorporated as attachment on each business loan and kept in each loan file.

Individual Self Employment Plan: (prepared by participant in partnership with microenterprise program administrator, incorporating individual participant's goals and outcome measurements). Can include or be replaced by Business Plan preparation and execution.

Tracking System Reporting Format: Spreadsheet tracking system that follows each income eligible applicant through the program, recording services provided, time allocated, costs incurred and funds leveraged. Separate tracking system or notation identifying participants who accessed services but were not eligible applicants, including method of charge for services.

Program Evaluation Form and Summary Format: One-page evaluation of services presented to each program participant at the close of each phase of the program to gather data regarding program effectiveness and gaps in service. Summary report produced quarterly or biannually for the benefit of the service and program providers to assess appropriateness and efficiency of services and programs provided.

This is a Sample Format. Each Beneficiary Tracking Plan should follow this basic format but should supplement or refine as the program dictates.

STATEMENT OF PURPOSE

Promoting self-sufficiency for Targeted Income Group population, Improving local economic climate through supporting entrepreneurship development and job creation.

Identify National Objective: TIG benefit (specify limited clientele, job creation/retention, area benefit)

Program Benefits

- Create local capacity for entrepreneurship development
- Support of Welfare to Work Initiatives
- Reduction on dependency of government programs
- Increase local tax base
- Creation of jobs, goods and services
- Build human capital through enhancing communications skills and business savvy
- Develop role models for aspiring entrepreneurs

Eligible Activities

___ Resource center	___ Business training
___ Program Marketing/Outreach	___ Loan Fund operation
___ Screening for Eligibility	___ Business support services
___ Assessing Readiness	___ One-on-one business counseling
___ Making appropriate referrals	___ Business start-up support
___ Life skills and personal support	___ Entrepreneur Mentoring
___ child care/transportation	___ Business operations support/followup

Program Evaluation

- Beneficiary Tracking Plan
- Data collection process/system
- Program impact per desired outcomes
- Progress and Compliance Reporting

**BUSINESS ASSISTANCE PROGRAM
THREE-PARTY EMPLOYMENT AGREEMENT**

This agreement, between the ("City/County of Sample ") and _____
 ("**Employer**") will be used to assure continuing employment opportunities to economically
disadvantaged and unemployed residents of the (City/County). Under this Non-Financial Employment
Agreement, the **Employer** intends to (create/retain) jobs at least 51% of which will be held by
Targeted Income Group (TIG) persons. The **Employer** will use the _____
 ("**Agency**") as its initial resource for recruitment, referral and placement in positions covered herein.
This Agreement is *not* a loan agreement but will be referenced by attachment in any loan agreement
between (City/County) and the **Employer**.

F. General Terms

- a) The City/County seeks to provide Community Development Block Grant (CDBG)
funded business assistance for business expansion. By virtue of this loan, the City/County
expects to realize additional employment opportunities for lower income and unemployed
persons.
- b) In consideration for any loan described above, the **Employer** agrees to enter into this
Agreement and agrees to use the **Agency** as its initial resource for recruitment, referral and
placement disbursement.
- c) The **Employer** agrees to hire or retain at least one permanent full-time employee
(minimum of 1,750 work hours per year) per \$35,000 in CDBG loan funds by
_____. The **Employer** also agrees that at least 51% of **all** jobs created will be
filled by members of the targeted income group.
- d) It is the Employer's declaration that the business assistance described in Section A above
will result in additional employment opportunities (of a non-managerial, not highly
technical, and/or non-professional variety), as follows, and as shall be further described in a
Job Order Form provided by the **Agency** (attach additional sheets as necessary,
microenterprises are defined as employing five or fewer):

<u>Job Title</u>	<u>Number Of Positions</u>	<u>Anticipated Hiring Date</u>
------------------	--------------------------------	------------------------------------

- e) The **Agency** will provide employment recruitment, referral, and placement services to the Employer subject to the limitations set out in this Agreement.
- f) The **City/County's** employment and training responsibilities under this Agreement, unless otherwise assigned, will be carried out by **Agency**.
- g) This Agreement shall take effect when signed by the parties below; fulfillment of all specified requirements shall be by ____ (24th month of State grant term for business loans/30th month of State grant term for microenterprise) .

2. Employment Recruitment

- a) The **Employer** agrees "covered positions" for the purposes of this Agreement shall include **all Employer's** job openings in the **City /County** created as a result of internal promotions, termination's, and expansion of Employer's work force, within the positions listed under Section I (d), with the exception of those classified as "non-covered", as defined in Section 2 (c) below.
- b) The **Employer** will timely notify the **Agency** of its needs for new employees in the covered positions. Notification shall be by Job Order Form provided by the **Agency**, and shall include, but not necessarily be limited to:
 - i. Number of employees requested by job title.
 - ii. Job description, including minimum qualifications stated in quantifiable and objective terms.
 - iii. Work to be performed.
 - iv. Hiring dates.
 - v. Rates of pay.
 - vi. Hours of work.
 - vii. Anticipated duration of employment.
- c) The following types of positions created by the **Employer** during the term of this Agreement shall also be regarded as covered by this Agreement: non-managerial, non-professional, and those not highly technical.

The following types of positions are considered non-covered positions: those of a supervisory nature requiring two or more years of formal training; and those filled by internal promotion from the **Employer's** existing work force; and family members of the borrower/owner.

3. Referral

- a) The **Agency** will refer job applicants eligible pursuant to Community Development Block Grant (CDBG) regulations to the **Employer** in response to

the notification of need for new employees described in Section I (D). The **Agency** will maintain the documentation of applicant/employee household income required by the CDBG program, and provide such information to the **City/County**.

- b) The **Agency** will screen applicants according to the qualifications agreed upon with the **Employer**.
- c) The **Agency** will notify the **Employer** of the number of applicants it will refer and begin making referrals no later than five (5) working days prior to the anticipated hiring date. The **Agency** will make every reasonable effort to refer at least one qualified person(s) for each job opening.
- d) In the event that the **Agency** is unable to refer any or all of the qualified personnel requested, the **Employer** will be notified by the **Agency**. The **Employer** will then be free to directly fill remaining positions. In this event, the **Employer** will make a good faith effort to hire economically disadvantaged **City/County** residents through additional recruitment techniques in conformance with terms of the Grant Agreement. **Employer** will refer employee back to the **Agency** for the determination of targeted income group status.

4. Placement

- a) All decisions on hiring new employees will be made by the **Employer**; the **Employer** agrees to provide priority consideration to prospective employees for covered positions from the qualified persons referred by the **Agency**. If the **Employer** does not find any of the persons so referred to qualify for the opening(s), the **Agency** will be notified.
- b) The **Agency** will monitor job retention and employment performance of employees placed under the Agreement. The **Employer** agrees to cooperate in these follow-up efforts, and to provide four times annually hiring summaries until Grant Closeout, in a form acceptable to the **City/County**. This may include, but not be limited to, copies of employee rosters and payroll and tax information submitted to the State of California.
- c) After the **Employer** has selected employees from referrals by the **Agency**, the **Agency** will not be responsible for the employee's actions and the **Employer** hereby releases the **Agency** of liability.

5. Training

- a) The **Agency** and the **Employer** may agree to develop additional job training programs. The training specifications and the cost for such training will be mutually agreed upon by the **Employer** and the **Agency** and covered under separate training agreement(s).

2. Controlling Regulations & Laws

- a) If this Agreement conflicts with any labor laws or other governmental regulations, those laws or regulations shall prevail.

- b) If this Agreement conflicts with a collective bargaining agreement to which the **Employer** is a party, the bargaining agreement shall prevail.
- c) The **Employer** shall not discriminate against any applicant for employment due to race, religion, age, color, sex, national origin, physical handicap, sexual preference, or political affiliation.

7. Indemnification, Assignment Modification and Renewal

- a) The **Employer** and **City/County** shall defend and indemnify the **Agency** and its officers, agents and employees against and hold the same free and harmless from any and all claims, demands, damages, losses, costs, and/or expenses of liability due to or arising out of, either in whole or in part, whether directly or indirectly, the organization, development, construction, operation, or maintenance of the Project except for liability arising out of the concurrent or sole negligence of the **Agency**, its officers, agents or employees.
- b) If, during the term of this Agreement, the **Employer** should transfer possession of all or a portion of its business concerns to any other party by lease, sale, assignment or otherwise, the **Employer** as a condition of transfer shall require the party taking possession to agree, in writing, to the terms of this Agreement and to obtain approval of the **City/County**. A new Non-Financial Employment Agreement will be executed with the new party prior to the effective date of the transaction.
- c) This Agreement may, upon mutual agreement, be modified in order to improve the working relationship described herein.
- d) The **City/County** may terminate this Agreement at any time by written notification if its federal, state or local grants are suspended or terminated before or during the contract period.

8. Acceptance

The Undersigned hereby agree to terms and conditions listed herein.

EMPLOYER

CITY/COUNTY

By: _____

Title

By: _____

Title

Date: _____

Date: _____

AGENCY

By: _____

Title

Date: _____

MICROENTERPRISE PROGRAM THREE-PARTY EMPLOYMENT AGREEMENT

This agreement, between the _____ ("City/County of Sample"), the _____ ("Agency") and _____ ("Benefitting Business") will be used to assure continuing employment opportunities to economically disadvantaged and unemployed residents of the (City/County). This Agreement is being used in conjunction with the **City/County of Sample** _____ Program, which is receiving CDBG funds to operate the program for the benefit of low-moderate income persons.

This Agreement is a requirement of each **Benefitting Business** which is participating in the **City/County of Sample** _____ Program. The **Benefitting Business** owner need not be low-income but agrees to (create/retain) jobs, including his or her own, at least 51% of which will be held by Targeted Income Group (TIG) persons. This Agreement is *not* a loan agreement but will be referenced by attachment in any loan agreement between (City/County) and the **Benefitting Business** made from CDBG funds.

I. General Terms

- a) The **City/County of Sample** seeks to provide Community Development Block Grant (CDBG) funded microenterprise services to microenterprise businesses or persons with the capacity to form a microenterprise. By virtue of making these services available to local microenterprises and entrepreneurs, the **City/County of Sample** expects to realize additional employment opportunities for lower income and unemployed persons.
- b) In consideration for participation in the program described above, the **Benefitting Business** agrees to enter into this Agreement and agrees to use the **Agency** as its initial resource for recruitment, referral and job placement of employees.
- c) The **Benefitting Business** agrees to hire or retain at least one permanent full-time employee (minimum of 1,750 work hours per year) per \$35,000 in CDBG loan funds. The **Benefitting Business** also agrees that at least 51% of **all** jobs created will be filled by members of the targeted income group. The owner(s) of the business are included in this job creation/retention requirement.
- d)) It is the declaration of the **Benefitting Business** that the microenterprise services described above will result in employment opportunities as follows: (microenterprises are defined as employing five or fewer, including the business owner):

<u>Job Title</u>	<u>Number Of Positions</u>	<u>Anticipated Hiring Date</u>
------------------	----------------------------	--------------------------------

- e) The **City/County's** employment and training responsibilities under this Agreement, unless otherwise assigned, will be carried out by the **Agency**.

- f) This Agreement shall take effect when signed by the parties below.

2. Employment Recruitment

- a) The **Benefitting Business** will timely notify the **Agency** of its needs for new employees (excluding family members). Notification shall include, but not necessarily be limited to:
- i. Number of employees requested by job title.
 - ii. Job description, including minimum qualifications stated in quantifiable and objective terms.
 - iii. Work to be performed.
 - iv. Hiring dates.
 - v. Rates of pay.
 - vi. Hours of work.
 - vii. Anticipated duration of employment.

3. Referral

- a) The **Agency** will refer job applicants eligible pursuant to Community Development Block Grant (CDBG) regulations to the **Benefitting Business** in response to the notification of need for new employees described in Section I (d). The **Agency** will maintain the documentation of applicant/employee household income required by the CDBG program, and provide such information to the **City/County**.
- b) The **Agency** will screen and income qualify all applicants (including family members).
- c) The **Agency** will make every reasonable effort to refer at least one qualified person(s) for each job opening.
- d) In the event that the **Agency** is unable to refer any or all of the qualified personnel requested, the **Benefitting Business** will be notified by the **Agency**. The **Benefitting Business** will then be free to directly fill remaining positions. In this event, the **Benefitting Business** will make a good faith effort to hire economically disadvantaged **City/County** residents through additional recruitment techniques in conformance with terms of the Grant Agreement and will refer the job applicant back to the **Agency** for the determination of targeted income group status.

4. Placement

- a) All decisions on hiring new employees will be made by the **Benefitting Business**. The **Benefitting Business** agrees to provide priority consideration to prospective employees for covered positions from the qualified persons referred by the **Agency**. If the **Benefitting Business** does not find any of the persons so referred to qualify for the opening(s), the **Agency** will be notified.

- b) The **Agency** will monitor job retention and employment performance of employees placed under the Agreement. The **Benefitting Business** agrees to cooperate in these follow-up efforts, and to provide four times annually hiring summaries until Grant Closeout, in a form acceptable to the **City/County**. This may include, but not be limited to, copies of employee rosters and payroll and tax information submitted to the State of California.
- c) After the **Benefitting Business** has selected employees from referrals by the **Agency**, the **Agency** will not be responsible for the employee's actions and the **Benefitting Business** hereby releases the **Agency** of liability.

5. Training

- a) The **Agency** and the **Benefitting Business** may agree to develop a job training program. The training specifications will be mutually agreed upon by the **Benefitting Business** and the **Agency** and covered under a separate training agreement.

6. Controlling Regulations & Laws

- a) If this Agreement conflicts with any labor laws or other governmental regulations, those laws or regulations shall prevail.
- b) The **Benefitting Business** shall not discriminate against any applicant for employment due to race, religion, age, color, sex, national origin, physical handicap, sexual preference, or political affiliation.

7. Indemnification, Assignment Modification and Renewal

- a) If, during the term of this Agreement, the **Benefitting Business** should transfer possession of all or a portion of its business concerns to any other party by lease, sale, assignment or otherwise, the **Benefitting Business** as a condition of transfer shall require the party taking possession to agree, in writing, to the terms of this Agreement and to obtain approval of the **City/County**. A new Three-Party Employment Agreement will be executed with the new party prior to the effective date of the transaction.
- b) This Agreement may, upon mutual agreement, be modified in order to improve the working relationship described herein.
- d) The **City/County** may terminate this Agreement at any time by written notification if its federal, state or local grants are suspended or terminated before or during the contract period.

8. Acceptance

The Undersigned hereby agree to terms and conditions listed herein.

BENEFITTING BUSINESS

CITY/COUNTY

By: _____

Title

By: _____

Title

Date: _____

Date: _____

AGENCY

By: _____

Title

Date: _____

DEVELOPMENT PROJECT LEASE CONDITIONS FOR TIG HIRES

1. It is hereby understood and agreed by Tenant that Landlord has made no warranty or representation as to the present condition of, or suitability of the Premises for Tenant's intended use or uses.

2. Tenant understands that Landlord has entered into a financing agreement with the _____ and the State of California to construct the premises. A condition of that financing is the provision of employment for TIG residents. In order to attain these goals and the goals of the project in general, Tenant hereby agrees as follows:

- a. Tenant shall provide financial information including, but not limited to a balance sheet and profit/loss statement, prepared in accordance with generally accepted accounting principles, every six months during the term of this lease. The first such reporting shall be due not less than eight months following the commencement of the Lease Term. If Tenant is in default of its obligation to pay rent, Tenant shall make books, records and other financial information available to Landlord for review during business hours.
- b. Tenant shall provide, at the beginning of the Term, a statement of current employment and projected employment figures for the Term of this Lease. Thereafter, on a quarterly basis, Tenant shall provide to Landlord's designated agent a written report of its progress in meeting employment projections.
- c. Tenant will execute a First Source Hiring Agreement satisfactory to the _____. This agreement shall provide that Tenant will use its best efforts to recruit and utilize employee referrals meeting the Targeted Income Group (TIG) standards. A copy of the First Source Hiring Agreement is attached as Addendum 2, and is a part of this Lease by reference.
- d. Tenant shall comply with all provisions hereof and ordinances and other laws against unlawful discrimination on account of race, creed, sex, age disability, or color. This Lease is subject to Title VI of the Civil Rights Act of 1964 (Public Law 88-352) and the rules and regulations issued pursuant thereto, and the Tenant shall comply with Executive Order No. 11246, entitled, "Equal Employment Opportunity", as supplement in Department of Labor Regulations(4 CFR, Part 60).
- e. Tenant shall use its best efforts to locate any future corporate offices and/or related office or manufacturing or warehouse facilities in the same structure or structures within the Premises. Upon graduation from the incubator facility, Tenant will, if adequate space is available, locate within the County limits of _____. Landlord, through its agent _____ City/County Development Corporation, will assist in new site location at no charge to Tenant.

- f. Tenant understands that this Lease, the demised premises and the additional services provided are designed to provide space for emerging businesses. Once the business has reach a stage where such services are no longer required, or growth dictates a need for more space, it is expected that the business will relocate to another facility within the County/City. Tenant and Landlord will review the progress of the business annually and mutually agree upon a "graduation" date from the Incubator.
- g. Tenant agrees that specific rules regarding outside area maintenance, employee parking, and traffic control may be promulgated by Landlord for the benefit of all Tenants. Tenant further agrees to abide by these rules.
- h. In the event Tenant changes the nature of the business, as from a sole proprietorship to a corporation, then the existing Lease shall be terminated upon a written notice from Tenant and a new lease made in the name of the new business entity. Such lease shall be executed based substantially on the terms and conditions contained herein.

Note: *Grantees are advised of their potential liability regarding job creation and benefit to the TIG. Grantees may want to develop specific remedies applicable to the tenant where there are instances of non-compliance or non-performance.*

**PRELIMINARY INTAKE FORM
FOR MICROENTERPRISE ASSISTANCE**

Date: _____

City/County: _____

Community Development Block Grant request for fiscal year _____

The information you provide regarding your family income will be part of your request for state subsidy funds which will assist the economic development of _____ (City/County) _____. The information will be kept confidential, but *will* require verification.

Please indicate by circling the number that represents the number of persons in your family as well as the approximate income. Please indicate whether your income is over or below the amounts noted below by the number of persons in your family. If your stay is seasonal and your permanent home is at a different place, use the number of family members who reside at the permanent residence.

FAMILY SIZE	INCOME	ABOVE	UNDER	COUNTY*
1	\$ _____	_____	_____	\$ _____
2	\$ _____	_____	_____	\$ _____
3	\$ _____	_____	_____	\$ _____
4	\$ _____	_____	_____	\$ _____
5	\$ _____	_____	_____	\$ _____
6	\$ _____	_____	_____	\$ _____
7	\$ _____	_____	_____	\$ _____
8	\$ _____	_____	_____	\$ _____

*80% of County Median Income - update annually

How many hours do you work each month? _____

Gender of head of household: ___ Male ___ Female

Nationality and age of head of household: ___ Over 62 years of age

___ White ___ Black ___ Hispanic ___ Asian
___ Alaska Native ___ Pacific Islander ___ American Indian

Income Certification and Authorization of Verification

I certify that this income information is correct and I understand that the information I have provided on my family income **is subject to verification** by authorized representatives of the City/County of _____, and the State of Californian Department of Housing and Community Development. My signature authorizes verification and verification will occur **prior to assistance**.

Signature: _____

Date: _____

Name: _____

Home Address: _____

Printed Name

SELF-CERTIFICATION OF FAMILY INCOME FOR EMPLOYMENT

Date: _____

City/County: _____

Community Development Block Grant request for fiscal year _____

The information you provide regarding your family income will be part of your employer's request for state subsidy funds which will assist the economic development of _____ (City/County) _____. The information will be kept confidential.

Please indicate by circling the number that represents the number of persons in your family as well as the approximate income. Please indicate whether your income is over or below the amounts noted below by the number of persons in your family. If your stay is seasonal and your permanent home is at a different place, use the number of family members who reside at the permanent residence.

FAMILY SIZE	INCOME	ABOVE	UNDER	COUNTY*
1	\$ _____	_____	_____	\$ _____
2	\$ _____	_____	_____	\$ _____
3	\$ _____	_____	_____	\$ _____
4	\$ _____	_____	_____	\$ _____
5	\$ _____	_____	_____	\$ _____
6	\$ _____	_____	_____	\$ _____
7	\$ _____	_____	_____	\$ _____
8	\$ _____	_____	_____	\$ _____

*80% of County Median Income - update annually

How many hours do you work each month? _____

Gender of head of household: _____ Male _____ Female

Nationality and age of head of household: _____ Over 62 years of age

_____ White _____ Black _____ Hispanic _____ Asian
_____ Alaska Native _____ Pacific Islander _____ American Indian

Income Certification and Authorization of Verification

I certify that this income information is correct and I understand that as the information I have provided on my family income **is subject to verification** by authorized representatives of the City/County of _____, and the State of Californian Department of Housing and Community Development, my signature also authorizes that verification upon request.

Signature: _____

Date: _____

Name: _____

Home Address: _____

Printed Name

SELF-VERIFICATION OF FAMILY INCOME*

Date: _____

City/County: _____

Community Development Block Grant request for fiscal year _____

The information you provide regarding your family income will be part of a request for state subsidy funds which will assist the economic development of _____ (City/County) _____. The information will be kept confidential.

Please indicate by circling the number that represents the number of persons in your family as well as the approximate income. Please indicate whether your income is over or below the amounts noted below by the number of persons in your family. If your stay is seasonal and your permanent home is at a different place, use the number of family members who reside at the permanent residence.

FAMILY SIZE	INCOME	ABOVE	UNDER	COUNTY*
1	\$ _____	_____	_____	\$ _____
2	\$ _____	_____	_____	\$ _____
3	\$ _____	_____	_____	\$ _____
4	\$ _____	_____	_____	\$ _____
5	\$ _____	_____	_____	\$ _____
6	\$ _____	_____	_____	\$ _____
7	\$ _____	_____	_____	\$ _____
8	\$ _____	_____	_____	\$ _____

***80% of County Median Income - update annually**

How many hours do you work each month? _____

Gender of head of household: ☐ Male ☐ Female

Nationality and age of head of household: ☐ Over 62 years of age

☐ White ☐ Black ☐ Hispanic ☐ Asian
☐ Alaska Native ☐ Pacific Islander ☐ American Indian

Income Verification

I certify that this income information is correct and that I have no verifiable third-source income documentation to provide to authorized representatives of the City/County of _____, and the State of Californian Department of Housing and Community Development at this time.

Signature: _____

Date: _____

Name: _____

Home Address: _____

Printed Name

**(Not to be used where third-source family income documentation exists)*

LEFT BLANK INTENTIONALLY

FAMILY INCOME GUIDELINES

Household income is defined as family income: all sources of income for one or more persons living in a single residence who are related by blood or marriage.

1. Inclusions in Family Income

- a. Gross Wages and Salary: The total money earnings received from work performed as an employee. It represents the amount paid before deductions for income taxes, Social Security, bond purchases, Union dues, etc.
- b. Net Self-Employment Income: Net income (gross receipts minus operating expenses) from a business firm, farm, or other enterprises in which a person is engaged on his/her own account.
- c. Net rent income or, less frequently, rent receipts.
- d. Pensions or other retirement benefits.
- e. Alimony.
- f. Periodic insurance payments; frequently referred to as regular income from insurance policies, annuities.
- g. Government and/or military retirement, (other than compensation for disability or death per Title 38, United State Code, Chapter II).
- h. Contest or lottery income.
- i. Periodic gifts, including payment or rent and living expenses from persons outside the residence.
- j. Interest including interest paid on inheritance and trust accounts, and dividends.
- k. Public Assistance payments.
- l. Federal, State, or local unemployment insurance benefits.
- m. Cash payments received pursuant to a State Plan approved under Title I Old Age Assistance, IV Aid to Families with Dependent Children (AFDC), X Aid to the Blind, or XVI Supplemental Security Income for the Aged, Blind and Disabled of the Social Security Act, or disability insurance payments received under Title II, Section 423 of the Social Security Act, or disability insurance payments received under Title II, Section 423 of the Social Security Act of payments received under the Black Lung Benefits Reform Act of 1977 (Public Law 95-239).
- n. Social Security, old age and survivors insurance cash payments. (Social Security Act, Title II, Section 402).
- o. Child support payments including payments made by State or local government on behalf of foster children in the home.
- p. Educational assistance and compensation payments to veterans and other eligible persons under Title 38, United States Code, Chapters 11, Compensation for Service-Connected Disability or Death; 13, Dependence and Indemnity Compensation for Service-Connected Death; 31

Vocational Rehabilitation; 34, Veterans' Education Assistance; 35, War Orphans'and Widows' Educational Benefits. In some cases, this item is simply referred to as "veterans' payments."

- q. Payments or allowances received by veterans while serving on active duty in the Armed Forces. In some cases, this item includes National Guard or military, naval or air force reserve activities.
- r. Payments made to participants in employment and training programs except wages paid for OJT, or Upgrading and Retraining. Exclude all compensation received under II-B.
- s. Capital gains and losses.
- t. Soil bank payments.
- u. Agriculture Stabilization Payments.
- v. Other income, except as indicated below.

2. Exclusions from Annual Family Income - Optional

- a. Non-cash income, such as food stamps, or compensation received in the form of food or housing.
- b. Imputed value of owner-occupied property or rental value of owner occupied property.
- c. Trade Act or Trade Readjustment payments.
- d. One-time unearned income, such as, but not limited to:
 - (1) Accident, health, and casualty insurance proceeds.
 - (2) One-time or fixed-term scholarship and fellowship grants.
 - (3) Payments received for a limited fixed term under income maintenance programs and supplemental (private) unemployment benefits plans.
 - (4) Lump sum inheritances including fixed-term annuities.
 - (5) One-time awards and gifts. Does not include contest or lottery income.
 - (6) Disability and death payments, including fixed-term (but not life time) life insurance annuities and death benefits.
 - (7) Fixed-term Worker's Compensation awards.
 - (8) Terminal Leave pay.

3. Verification of Annual Family Income

- a. Family income should be supported with documentation from the income source. A representative sample of all job classifications should be income verified. Income verification should be obtained prior to job placement. Determining the job holders income level will ensure that TIG benefit is measured and 51% TIG benefit is achieved.
- b. Maintenance of income verification records must be accessible for CDBG program review. Organize income verification records by each loan or funded activity.

DOCUMENT CHECKLIST FOR DRAWDOWN APPROVAL

City/County of _____

Date

Contact

Grant # _____

Address _____

Telephone # _____

Fax # _____

Business _____

Contact _____

Address _____

Loan Amount \$

For a loan under this grant all of the following must be received by the Department for review and approval before its initial cash request report can be submitted.

1. Loan analysis and recommendation submitted to loan committee addressing the following:
 - a. project description and proposed sources and uses,
 - b. use of CDBG funds and documented funding gap,
 - c. consistency with approved local program guidelines including overlay and underwriting requirements,
 - d. loan terms,
 - e. number of FTE jobs being created ____ or retained____,
 - f. number of TIG jobs____,
 - g. special funding conditions
2. Documentation of local approval or commitment letter from jurisdiction to Borrower, including:
 - a. Name of business and borrower's name
 - b. Location and address of business
 - c. CDBG loan amount, rate, terms and conditions
 - d. Full Time Equivalent (FTE) and TIG commitment
3. Executed Three-way Employment Agreement
4. Documentation of complete and final environmental review by the grantee
5. NEPA noticing/Sate objection period expires: _____
on loans requiring noticing/RROF and Certification

Date Received	Date Approved
Notes: _____ _____ _____ _____ _____ _____ _____	
_____ _____ _____ _____	

Comments:

Reviewed/Approved _____ Date _____ Cash Request Processed on _____

SAMPLE

**FAIR SHARE ALLOCATION OF CBDG
GRANT (NO. XX-EDBG-XXX) AGREEMENT
(To Be Paid By Owner)**

This Agreement is made between the City of _____ a California general law city ("City") and _____ and _____ (collectively, "Owner").

RECITALS

A. City is the recipient of Community Development Block Grant No. XX-EDBG-XXX (the "Grant") which includes a grant of \$90,000 to cover the design and construction costs of public, off-site frontage improvements along a portion of Highway YY required by California Department of Transportation ("CalTrans") and the City prior to permitting development of three parcels of adjacent property. The work will include creation of deceleration and acceleration lanes through grading, installation of curbs and gutters, and pavement widening, as required by CalTrans, and installation of City public improvements including, storm drains, handicap ramps, bicycle lanes, street lights and miscellaneous other public improvements (the "Public Improvements"). The Public Improvements are expected to be completed by February 200X.

B. Owner is the owner of one of three parcels of property which will benefit from the Public Improvements to be funded by the Grant and which would be unable to obtain entitlements to develop without such Public Improvements. Owner's parcel consists of approximately 5.18 acres and is identified as Bliss County Assessor's Parcel No. XX-YYY-00Z (the "Property").

C. The terms and conditions of the Grant require that City and Owner enter into an agreement fixing the fair share allocation of the Grant to be paid by Owner and conforming to State community development block grant requirements for job creation for persons with family income less than or equivalent to eighty percent (80%) of the median income for Bliss County (the "Targeted Income Group") as shown in Title 25, California Code of Regulations section 6932.

D. In recognition of the benefits Owner's property will receive from the Public Improvements to be funded by the Grant and as required by the terms and conditions of the Grant, the parties hereto wish to fix and determine the job creation and reporting requirements of Owner and the fair share allocation of the Grant to be allocated to the Owner and to be reimbursed by Owner to City in accord with the terms of this Agreement.

AGREEMENT

1. Fair Share Allocation. In consideration of the benefits Owner's property will receive from the Public Improvements to be funded by the Grant, including enhancement of development potential and improved access and egress to and from the Property, Owner agrees that the share of the Grant properly allocated to Owner based on the percentage of acreage owned by Owner in relation to the total amount of acreage in the three parcels benefiting from the Public Improvements is the sum of Fifty-One Thousand One Hundred Twenty Dollars (\$51,120.00) (hereinafter, "Owner's Fair Share Allocation").

2. Payment. The Owner shall pay Owner's Fair Share Allocation to City in five installments over a five-year period. The first installment shall be due and payable on a date one year from the date of issuance of a building permit authorizing construction to commence on the property and shall be in an amount equal to twenty percent (20%) of Owner's Fair Share Allocation. Thereafter, the balance of the fair share allocation shall be paid in four installments each due and payable on the anniversary date of the issuance of the building permit and in an amount equal to twenty percent (20%) of Owner's Fair Share Allocation, plus interest on the total outstanding balance of Owner's Fair Share Allocation, which shall accrue at a rate of five percent (5%) per annum. Interest shall begin to accrue on the balance of Owner's Fair Share Allocation on the date that the first installment is due and payable.

3. Performance Security. Prior to issuance of a building permit, Owner shall furnish one of the following as security for performance of Owner's obligations under this Agreement:

a. A surety bond in the amount of Fifty One Thousand One Hundred Twenty Dollars (\$51,120.00) which is equal to one hundred percent (100%) of the Owner's Fair Share Allocation, as security for the faithful performance of all the provisions of this Agreement. This bond shall remain in effect until such time as the last installment of the Owner's Fair Share Allocation is paid to City.

b. Irrevocable letters of credit, cash deposits, savings account(s) or certificates) payable to City in form satisfactory to City and equivalent to said surety bonds. All legal expenses incurred by City in reviewing and approving said bond equivalents shall be paid by Owner. Such bond equivalents shall remain in effect until such time as the last installment of the Owner's Fair Share Allocation is paid to City.

4. Job Creation. In further consideration of the benefits Owner's -property will received from the Public Improvements to be funded by the Grant, to the extent that the Property is developed and business is operating on the Property within a period of one year following completion of the Public Improvements, Owner agrees to comply with the State of California community development block grant ("CBDG") requirements for job creation for the Targeted Income Group and to provide City with information it requests concerning the jobs created or retained by that business so that the City may comply with its job reporting obligations under the Grant. The State CBDG requirements are that fifty-one percent (51%) of the jobs created by any business which commences operations on the Property within one year of the completion of the Public Improvements must be filled by individuals in the Targeted Income Group. Owner agrees to comply with the State's requirements that 100% of the jobholders be screened for income eligibility and maintain records documenting income

eligibility for review by the City, State or U.S. Department of Housing and Urban Development. The owner will enter into an income-screening and referral source contract with the local job training agency to accomplish these tasks.

5. Default, Remedies. In the event that Owner fails to make an installment payment when due, or fails to comply with the job reporting requirements specified in Section 3 above, City shall provide Owner written notice of such default. Owner shall have fifteen days to cure such default. If Owner fails to cure such default, City may, in its sole discretion, declare the entire balance of Owner's Fair Share Allocation, plus applicable interest, due and payable and pursue any and all available legal remedies to recover such amount and enforce the job reporting requirements of Section 3 above.

6. Covenants Run With The Land. All of the terms, provisions, and obligations contained in this Agreement shall be binding upon the parties and their respective heirs, successors and assignees, and all other persons or entities acquiring all or any portion of the Property, or any interest therein, whether by operation of law or in any manner whatsoever. All of the provisions of this Agreement shall constitute covenants running with Owner's Property pursuant to applicable law, including but not limited to, Section 1468 of the Civil Code. Owner' agrees that the covenant to pay the Owner's Fair Share Allocation of the cost of the off-site Public Improvements is for the benefit of the Property and is a burden upon such Property, runs with the Property, and is binding upon each successive owner during ownership of such Property, or any portion thereof, and each party having any interest in the Property derived in any manner until such time as this Agreement terminates as provided in Section 6 of this Agreement.

7. Termination of Agreement. This Agreement shall terminate upon receipt by the City of Owner's final installment of Owner's Fair Share Allocation of the cost of the Public Improvements, plus applicable interest. Upon receipt of such payment, City shall record with the Office of the Napa County Recorder a document indicating that the Owner has fulfilled its obligations under this Agreement.

8. Entire Agreement, Amendment. This Agreement, contains the entire Agreement of the parties and supersedes all prior negotiations, correspondence, understandings and agreements by or between the parties regarding the subject matter hereof. This Agreement may not be amended except upon the mutual written consent of both parties.

9. Waiver. Any waiver any time by any party of its rights with respect to default or any other matter arising in connection with this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

10. Governing Law. This Agreement shall be governed by the laws of the State of California and the rights and obligations of the parties hereto shall be construed and enforced in accordance with the laws of the State of California.

Attorneys' Fees. In the event of any legal or equitable proceedings for enforcement of any of the terms of this Agreement, or any alleged dispute, breach of, default or misrepresentations in connection with any provision of the Agreement, the prevailing party in such action, or the nondismissing party where the dismissal occurs other than by a reason of a settlement, shall be entitled to recover its reasonable costs and expenses including without limitation, reasonable attorneys' fees and costs paid or incurred in good faith.

12. Notice. Any notice relating to this Agreement shall be given in writing and shall be deemed sufficiently given and served for all purposes when delivered personally or by generally recognized overnight courier service, or four (4) business days after deposit in the United States mail, certified or registered, return receipt requested with postage prepaid addressed as follows:

To City:

City of _____
____ Joy Drive
____ California, 9XXXX
Attention: City Manager

To Owner:

Mr. _____
Ms. _____
____ Celebration Lane
Balmy, California 9XXXX

13. Effective Date. This Agreement shall become effective upon the date the City is authorized to draw upon the Grant to fund the construction of the Public Improvements and shall remain in full force and effect until terminated.

IN WITNESS WHEREOF, the parties have executed this Agreement with the intent to be bound thereby as of the effective date set forth above.

(“City”)
City of _____

By: _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

(“Owner”)

LOAN AGREEMENT - SUGGESTED OUTLINE

I. Parties

A. Private Lender(s)

Name

Address

Phone Number

B. City or County

Address

Phone Number

C. Borrower

Address

Phone Number

II. Loan Description

- Amount of the loan.
- Terms (length of loan, interest rate, equity position, total and targeted income group job goals, etc.).
- Collateral (including position and prior lien holders).
- Payment amount and schedule.
- Repayment policy.
- **MUST INCLUDE SPECIFIC LANGUAGE THAT MAKES THE LOAN DUE AND PAYABLE UPON SALE OR REFINANCE OR CHANGE IN MAJORITY OWNERSHIP.**

III. Conditions

A. Statement of Loan Purpose:

- Use of Proceeds.
- Role of parties.
- Restrictions on fund users.
- Property information.
- Must include a non-monetary default clause that makes the loan due and payable if there is unsatisfactory job creation.

B. Other Loans/Sources of Funds:

- Name, address, phone.
- Loan amount.
- Terms and conditions.
- Collateral.
- Use of proceeds

C. Special Terms and Conditions:

- Equal opportunity policy
- Construction/contractor requirements (e.g., final plans and specification, insurance, Federal prevailing wages (Davis-Bacon wages) bonding, etc.
- Inspection, monitoring and reporting requirements.

D. Other Conditions:

- Borrower must execute the note and loan agreement.
- Borrower must execute and file all security agreements.
- Principals must provide personal guarantees, if required.
- Borrower must provide title insurance, if required.
- Borrower must obtain all necessary governmental and other approvals.

IV. Representations and Warranties

The borrower must make several claims regarding its legal authority to borrow and conditions existing at the time of the loan. This includes:

- The corporation or partnership is a duly organized entity.
- The borrower is authorized to borrow money (Corporate Resolution to Borrow, etc.).
- The borrower is not presently involved in any legal suits of material nature.
- The borrower is not in default on any other obligations at the time of loan closing.
- The borrower has filed tax returns and paid taxes accordingly as required.
- The borrower has not suffered any adverse change in its operation since applying for the loan.

V. Covenants

The business or developer must pledge to do and to prevent certain things.

A. Affirmative Covenants:

- Pay CDBG loan punctually.
- Pay other loans punctually.
- Maintain, insure, and pay all taxes on the property used as collateral. Insurance will include hazard, liability, workman's compensation, and flood insurance (if appropriate).
- Provide additional equity if there are cost overruns.
- Maintain, insure, and pay all taxes on the property used as collateral. Insurance will include hazard, liability, workman's compensation, and flood insurance (if appropriate).
- Maintain its legal existence.
- Notify jurisdiction of any default.
- Maintain all collateral property or equipment in good condition.
- Provide equity and other borrowed funds into project equal to that stated in CDBG grant application.

B. Negative Covenants:

- Will not encumber or sell or move to a different site any assets used as collateral.
- Will not change ownership composition.

VI. Events of Default

The loan agreement will list the conditions (events) which will constitute a default in the agreement. Events of default typically include the following:

- Non-payment of CDBG or other loans in the project.
- Failure to create jobs, principally for the targeted income group.
- Incorrect representation.
- Default in any covenant.
- Judgments in excess of liability insurance.

VII. Miscellaneous

The miscellaneous provisions provide for:

- Making amendments to the agreement.
- Waiving rights and notices.
- Assigning the note and security interests.

VIII. Assurances

By signing the loan agreement, the parties accept the terms and conditions under which this loan is being made.

LOAN FILES

Two separate loan files must be maintained. There should be an original documents file, a legal file, which holds all of the original loan documentation, and a credit file which has the day-to-day administrative records of the loan. The legal file should be secured in a fireproof safe. Chapter 7 of this Grants Management Manual has the Checklists for documents to be kept in these files along with all files to be kept for Recordkeeping. The Checklists have been reproduced here for ease in establishing these files:

LOAN CLOSING FILE

- ___ Articles of Incorporation and Bylaws or ___ Partnership Agreement
- ___ Corporate Resolution to Borrower or ___ Partnership Agreement and
and Certificate of Secretary Authorization to Borrow
- ___ Borrower's Opinion of Counsel (legal business with no pending lawsuits)
- ___ current business license
- ___ bank commitment letter
- ___ loan servicing agreement
- ___ loan agreement
- ___ subordination agreement if needed
- ___ promissory note
- ___ Security Agreement for personal property (M&E, INV and A/R) perfected with secretary of
state or county court
- ___ UCCs and lien search (to be filed with county recorder)
- ___ Mortgage and Deed of Trust (to be filed with county recorder)
- ___ Title Report(s)
- ___ Appraisal
- ___ personal guarantee
- ___ Corporate guarantees (common ownership, showing management or control)
- ___ hazard insurance (lender as loss payee)
- ___ life insurance (lender as loss payee)
- ___ title insurance (lender as loss payee)
- ___ Certificate of good standing
- ___ evidence of equity commitment
- ___ Employment Agreement
- ___ inter-creditor agreement (states lien positions for each lender. Commits each lender to
notify others in event of problems)
- ___ Environmental Clearance documentation and HCD clearance letter

LOAN TRACKING FILE

- ___ Sources and Uses of Funds Form
- ___ Task and Budget Milestones
- ___ Amendments (if any) by loan

Disbursement by loan

- ___ Equity Deposit/verification
- ___ Leverage Tracking Schedule (pro rata) including fair share payments
- ___ Retention policy/construction projects
- ___ ***Department Approved*** Drawdown Checklist
- ___ Record of CDBG funds received
- ___ Record of CDBG funds disbursed

Servicing/Monitoring by loan

- ___ Billing Invoices by coupon book/monthly statement
- ___ Copies of two-party checks
- ___ Billing/payment status
- ___ Record of payment history
- ___ Covenant review (jobs to date)
- ___ Restructuring

Tickler System/due dates by loan

- ___ Billing invoices
- ___ Insurance premiums
- ___ Property tax
- ___ Updated personal and business financial statements
- ___ UCC renewal dates
- ___ Fair Share fee/Lease repayment schedule
- ___ Quarterly Employment Report from business

LOAN FILE DOCUMENTS (DESCRIPTION)

1. Note

The note is usually a one-page document, the instrument which obligates the borrower to the debt. It details the amount of the loan, the rate of interest and the repayment terms as well as the remedies of the lender with respect to the collateral and guarantees securing the loan in the event of default.

2. Loan Agreement

The loan agreement is created to supplement the note. It details the specific conditions of the lending such as the disbursements, payment obligations, covenants outlining financial disclosure requirements, a description of the collateral and guarantees securing the loan, other special conditions of the loan, such as any regulatory obligations "e.g., meeting Davis-Bacon Wage Guidelines", and also describes the remedies you, as the lender, have with respect to defaults in payments and violations of any of the loan covenants.

3. Deed of Trust

If a loan is secured by real property, a Deed of Trust mortgage instrument detailing the specifics of the property must be prepared and recorded in the county in which the property is located. This prevents the resale of the property without your notification. If the Deed of Trust is not properly prepared and recorded your lien may become invalid, thereby losing the collateral which secures your loan.

4. General Security Agreement and UCC Filings

A General Security Agreement and UCC filing is made on all other collateral securing the loan in order to protect the lender against the collateral by another party. The General Security Agreement obligates the borrower to the lender. The UCC filing provides notice to all creditors that the borrower has an obligation to you secured by collateral on which you have first claim. You must complete the UCC filing in your locality, county and state simultaneously in order for the filing to be effective.

5. Personal Guarantees

The endorser of a personal guarantee becomes personally liable for the obligation. Remember that often the legal borrower is usually a corporation, not the principals of the company, and unless you obtain a personal guarantee you have no recourse against the principals.

6. Corporate Guarantees

Corporate guarantees are obtained when you require the endorsement of another corporation as a condition of the loan. Guarantees should be accompanied by Certificate of Secretary (see No. 11) from the corporate guarantor.

7. Subordination Agreement

The Subordination Agreement is required when, as a condition of your loan, you demand that the repayment of a previously existing debt be subordinate to the payment of your loan. If you do not want any payment, principal and interest, to be paid on this loan, you must specify it in the agreement otherwise you might find a deferral of principal but not of interest payment.

8. Life Insurance Policy and Assignment

If you require a life insurance policy on any of the principals of the company as collateral on your loan, it must be accompanied by an assignment. An assignment is an agreement between you and the borrower which specifies the type of life insurance coverage required to secure the loan and names you as beneficiary.

The assignment form is usually provided by the insurance company issuing the policy and who must record the assignment. Once a policy is assigned the insurance company will send you notices of lapses in premium payments.

9. Hazard Insurance Policy and Assignment

The same procedure for life insurance policy is followed on all fire, theft and flood insurance policies which covers the collateral securing your loan.

10. General Resolution

A general Resolution describes who is empowered to borrow on behalf of the corporation.

11. Certificate of Secretary

A Certificate of Secretary affirms that the corporation has agreed to the loan.

12. Opinion of Counsel

The Opinion of Counsel verifies that the company is a legal entity empowered to borrow, and that there are no legal actions or suits pending against the company.

13. Intercreditor Agreement

An Intercreditor Agreement is obtained when there are two or more lenders with claims against the same collateral as in the case of a senior and second mortgage lender. This agreement details the obligations of the two to each other with respect to attempts to liquidate the asset securing the loan without the other's consent.

In any loan closing you should have your own legal counsel representing your interest as lender and being well versed in the legal lending requirements in your state. Once the loan is closed it is your responsibility to protect the original closing documents from any destruction or mutilation which could jeopardize your ability to liquidate your collateral or move against a guarantee should it become necessary. It is improper to store the original documents in the credit file which is used in the everyday administration of the loan.

The credit file should be organized in a chronological manner with separate tabs for financial reports and correspondence, credit checks, personal financial reports and other recordkeeping functions.

14. Credit Memorandum

Description and analysis of proposed project that incorporates the CDBG program's underwriting guidelines (see earlier in this Section VI).

MANAGEMENT INFORMATION SYSTEM (MIS)

Good credit administration demands that you develop a good reporting system that gives you information on the payment status of your loans and monitors the quality of your portfolio.

A good reporting system can help you set achievable goals for the growth of your portfolio, the quality of your loans, and it can help you improve the collection of your delinquencies and help you manage workloads. The reporting system becomes an effective management tool if, at a minimum, it provides you with the information provided in the sample reports which follow. These reports should be produced on a periodic basis, reviewed and compared to the previous month's activity. They provide a basic format and should be modified to suit your loan program's particular needs.

- Fund Balance Report

Provides a monthly summary of beginning fund balance, the principal and interest recaptured during the month, disbursements made during the month, funds committed but not yet disbursed, to net out to the available fund balance at month end.

- Portfolio Summary Report

Provides a summary of the total loans in process, loans authorized/committed to but not disbursed, the current loans outstanding and the loan losses.

- Current Portfolio Summary

Provides a listing of all outstanding loans, the latest loan balance, last payment date, identifies if a loan is current or delinquent, the date the annual review is due, the loan classification and the loan officer responsible for the loan. It also provides totals for number of loans outstanding, amount originally booked and the outstanding balance.

- Undisbursed Commitments

Provides a listing of all loans which have been approved but undisbursed as of the date of the report.

- In Process Deals

Provides a listing of the proposals which are in house and in the developmental stage.

- Loss Portfolio Report

Provides a list of all loans which have been classified as uncollectible.

- Delinquent Loan Summary

Highlights all loans in the current summary which are delinquent in order to focus management attention on the problem.

- Classified Loan Summary

Sorts the current portfolio summary by classified loan status to provide a picture of the quality of the portfolio.

- Loan Officer Summary

Sorts the current portfolio, the authorized but undisbursed and the in process deals by loan officer. This allows management work flows and monitor performance more effectively.

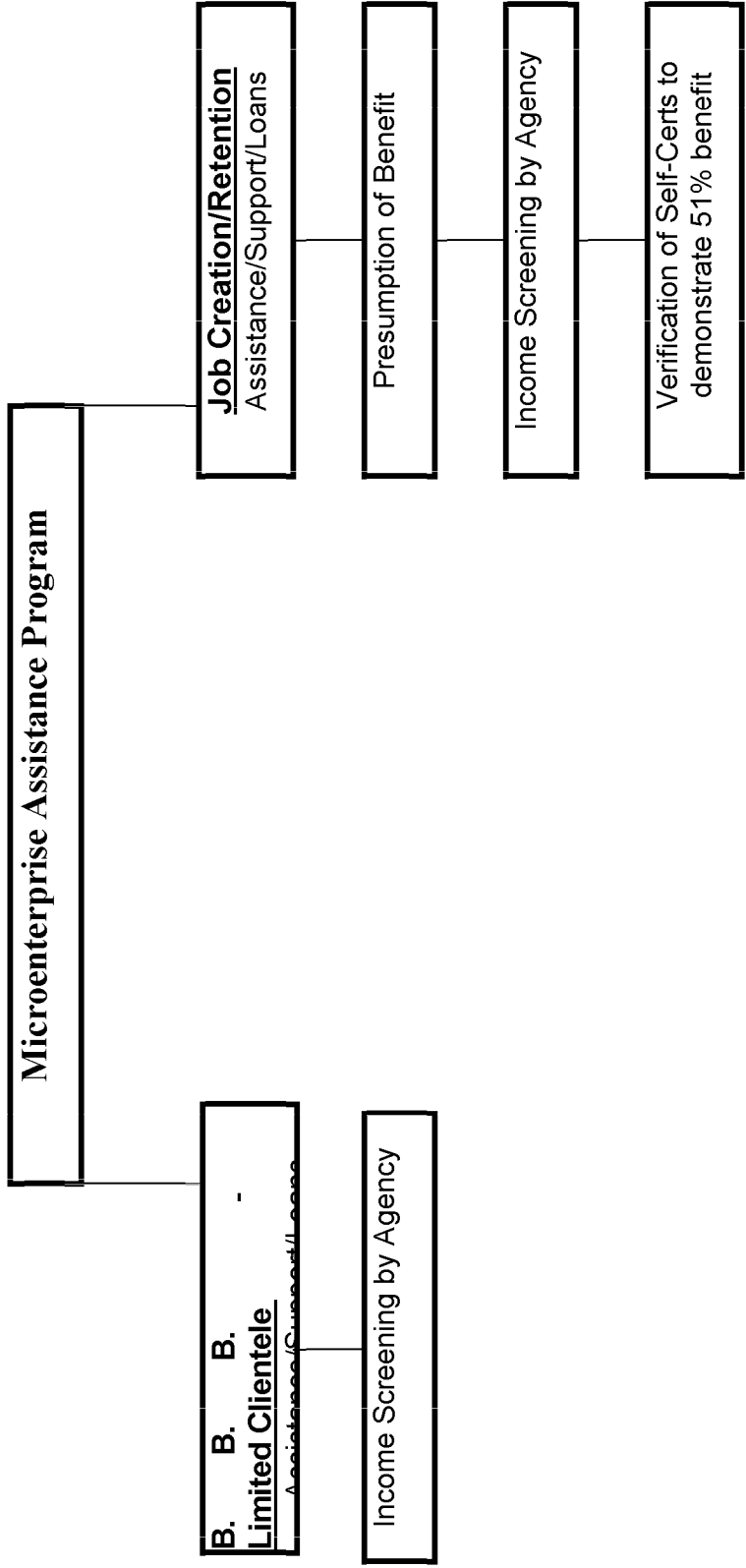
- Loan History

an individual loan history of each loan is maintained which details the original amortization schedule and the current activity on the loan, including latest loan payment, the portion of the payment that went to interest and principal and the remaining outstanding principal balance as of the close of the report.

- Tickler File

Provides a listing of loans in the current portfolio and the deadlines for such information as due dates of receipt of financial statements, review date, insurance premium payments which borrower must make to ensure your collateral coverage. This file can be sorted by month to highlight those times in chronological order.

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Please note: Presumption of Benefit cannot be used for assistance to a participant who qualifies as limited clientele. Federal regulations require that each participant who qualifies for assistance as Limited Clientele must demonstrate eligibility. Presumption of Benefit may be used for assistance to a participant who is not income eligible but commits to creating jobs within the grant period because the participant is qualifying for services under Job Creation/Retention where the employees are the beneficiaries of the grant assistance. Limited Clientele benefiting from a Microenterprise Assistance Program must show 100% benefit to the targeted income group. Job Creation must demonstrate 51% benefit to the targeted income group.

